Central Macomb
COMMUNITY CREDIT UNION

February 25, 2015

The Honorable Anthony Forlini
State Representative-District 24
S-788 House Office Building
P.O. Box 30014
Lansing, MI 48909

Dear Chairman Forlini and Members of the House Financial Services Committee:

Central Macomb Community Credit Union was founded in 1957 as Selfridge Credit Union whose field of membership was our military members located at Selfridge Air National Guard Base. Over the years our name and field of membership has changed and expanded to better meet the needs of our community. In 1999 we changed our name to Central Macomb Community Credit Union and moved to a community based charter that serves residents of Macomb County. Currently Central Macomb is a mid-sized credit union with $180 million in assets and 16,500 members.

Credit Unions are member owned not-for-profit institutions. As such, credit union leadership is tasked with the responsibility of delicately balancing credit union expenses, investments in technology, and credit union income to ensure our members' investments in the credit union are well protected.

The EMV chip card has many advantages including the decrease in counterfeit card fraud. While there are many benefits to this technology, it remains an expensive investment for financial institutions. For smaller financial institutions, mandating EMV chip card technology will have a large negative financial impact. For most of these institutions the cost to implement this technology is far greater than the amount of loss incurred due to debit and credit card fraud.

Central Macomb Community Credit Union currently has over 10,000 debit cards and 4,000 credit cards currently issued to our membership. In 2014, the credit union's volume of sales was $75.6 million for our debit cards and $2.2 million for credit cards. The credit union's losses due to debit card and credit card fraud totaled $35,910 and $2,503 respectively. Implementation costs for EMV chip cards total thousands of dollars. Moving to an EMV chip card will increase the cost per card by 185%. In addition, to the implementation and card costs, financial institutions will have to spend an additional $3,000 to $5,000 per machine to upgrade their ATMs to be able to accept EMV chip card transactions.

All costs considered, for Central Macomb, and upgrade to EMV chip cards would be an investment of $96,200. Even at the Central Macomb's current asset size, an investment of this size would have a significant impact on our bottom line. Currently, for Central Macomb the investment in EMV chip cards is far greater than the losses we experience due to debit and credit card fraud. Each financial institution should be able to weigh the costs of EMV chip cards against the risk they are willing and able to take as it relates to fraud to make a sound financial decision for their institution.

As stated previously, Central Macomb Community Credit Union's foundation is rooted in our military. Currently approximately one third of our membership is a combination of active military members and veterans. For those of our members actively serving in our armed forces, being deployed overseas is a real possibility. In order to ensure military members have access to their cash when overseas, the military has implemented programs like the Eagle Cash Card, an EMV chip card that the member can preload funds from any of their financial institutions. This allows the military members to access their funds overseas without the card being tied to their bank account. This provides an even safer option for those travelling overseas since the amount of loss due to lost or stolen card is limited only to the balance loaded on the card. Likewise for the rest of our membership wishing to travel overseas, there are alternatives in the marketplace for them to purchase pre-paid EMV chip cards for use during their travels. With the many options currently available to our members for their worldwide travels, making EMV chip cards mandatory for travel convenience isn't necessary at this time.

Additionally with programs like Apple Pay and Google Wallet out on the market, digital wallets are gaining popularity. These programs use Near Field Communication (NFC) technology coupled with tokenization to perform secure transactions for consumers. Tokenization takes sensitive transaction data and replaces it with unique code for processing. While EMV chip cards decrease counterfeit card (card present) fraud, tokenization helps prevent card not present (or online) fraud. When tokenization is used, special coding is used and no personal card data is being transmitted as part of the transaction. If a fraudster were able to gain access to tokenized transaction data, the information would be useless to them since the information does not contain any personal data.

For some credit unions, based on their membership and the type of debit and credit card fraud they see, it may be in their best interest to pursue investing in other technology like tokenization instead of EMV chip cards. If EMV chip cards were mandated in Michigan, it is very likely that those credit unions that wish to look at other technological alternatives for better securing their transactions will not be able to do so due to the cost they would be required to invest for implementing EMV chip cards.

As the Chairman of the House of Representatives Financial Services Committee, I am asking that the committee not pursue legislation to mandate EMV chip cards for financial institutions in Michigan. Each financial institution is different in relation to their membership base, the types and amounts of fraud they experience, and the level of flexibility they have for investing in costly technology. The decision to invest in EMV

chip cards or other technology should be a business decision that each financial institution should be able to make based on their goals and financial structure.

I thank you for your service to your constituency. I would love to discuss this matter further with you, please feel free to contact me at 586-466-7800, extension 121.

Sincerely,

Drema D. Isaac
President & CEO